

GETTING STARTED ON THE RIGHT TRACK



An Introduction to Idaho Business Taxes

AGENDA

- Idaho State Tax Commission's mission
- Starting a new business
- Idaho income tax withholding
- Idaho sales tax
- Electronic filing

IDAHO STATE TAX COMMISSION

- The Legislature creates tax laws
- The Tax Commission collects taxes in accordance with those laws

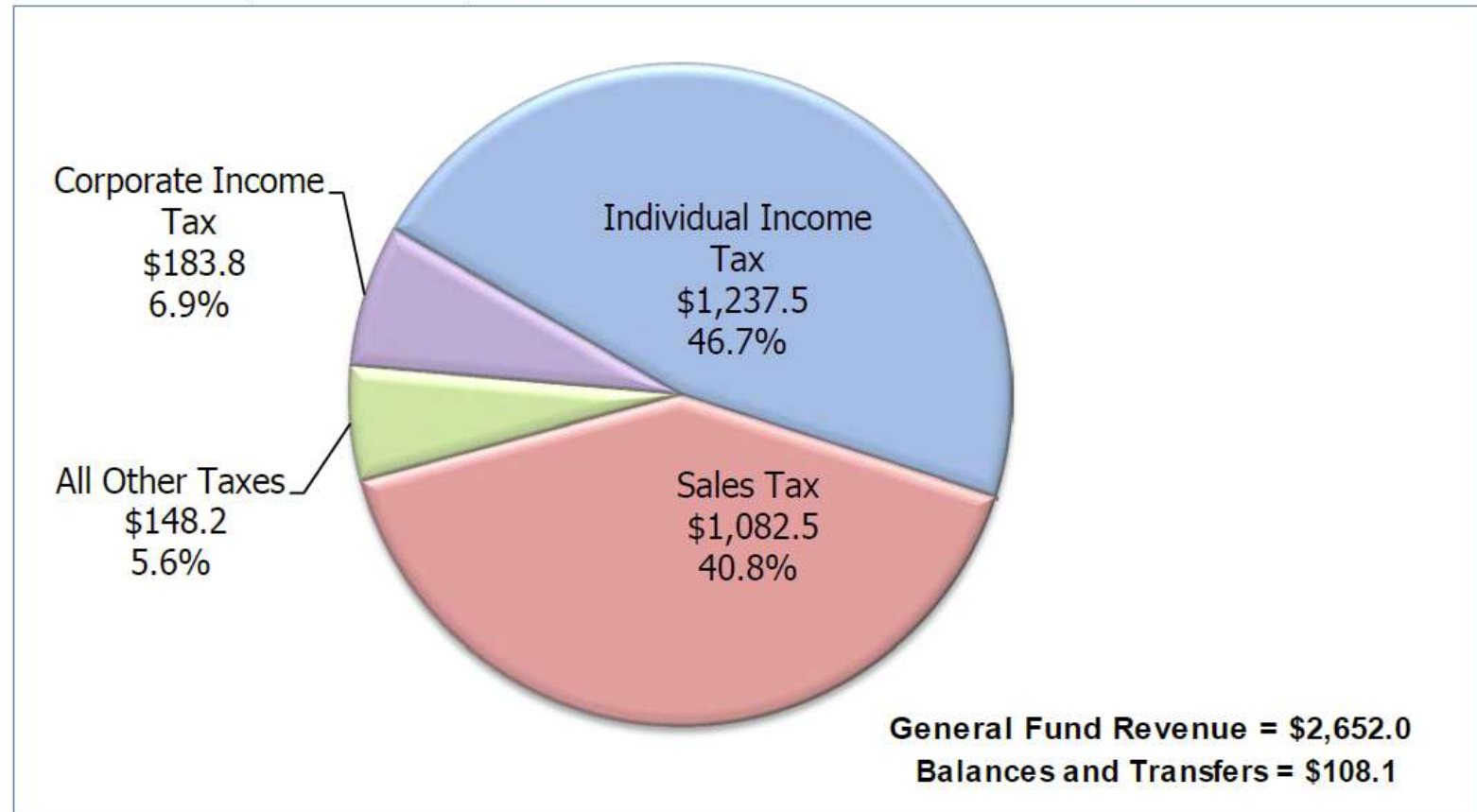
MISSION STATEMENT

To provide courteous, quality services and to administer the state's tax laws in a fair, timely, and cost-effective manner to benefit Idaho citizens.

STATE TAX REVENUE

"Where the money comes from . . ."

Dollars In Millions (Percent of Revenue)

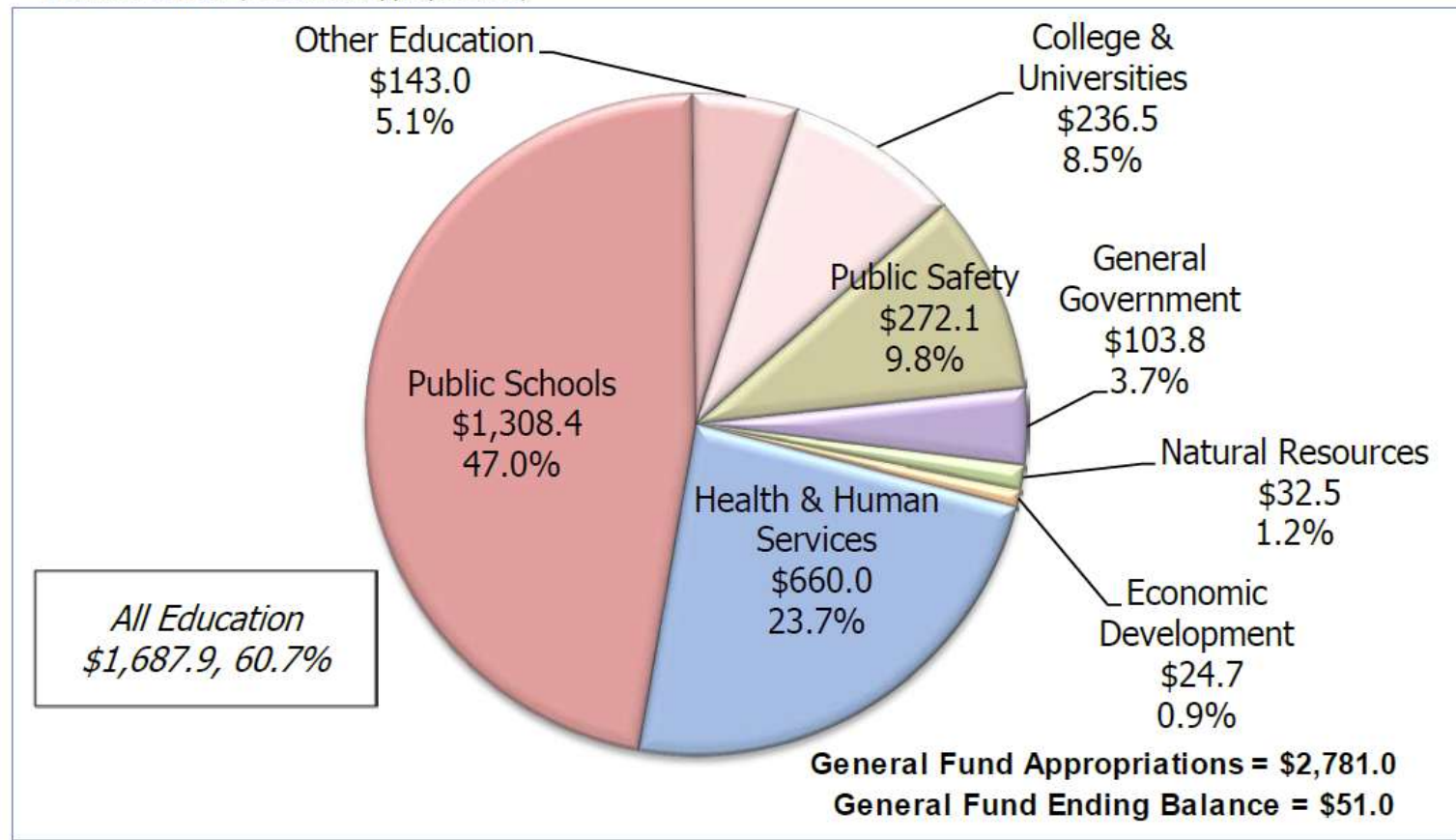


Source: 2013 Sine Die Report, Session Summary of the Idaho Legislature

TAX DISTRIBUTION

"Where the money goes . . ."

Dollars In Millions (Percent of Appropriations)



Source: 2013 Sine Die Report, Session Summary of the Idaho Legislature

BUSINESS TAXES

- This slideshow discusses taxes administered by the Tax Commission
- It's likely that your business is subject to other taxes administered by other government entities.
- For example:
 - Property tax – administered by County Assessor
 - Unemployment tax – administered by Dept. of Labor
 - Federal taxes – administered by IRS

STARTING A BUSINESS IN IDAHO

- It's your responsibility to:
 - Know which laws apply to your business
 - Apply for licenses and/or permits
 - File returns accurately and on time

STARTING A BUSINESS IN IDAHO

Idaho has a lot of great resources for people starting a business. Here are links to two of them:

- [Business.idaho.gov](https://business.idaho.gov)
- www.idahobizhelp.org

The next two slides show where to find links to helpful information on these websites.

BUSINESS.IDAHO.GOV

business.idaho.gov Home Idaho.gov

IDAHO

Business.Idaho.Gov
Business Resources for the State of Idaho

Home | Employer Tax Credits | Starting a Business | Running a Business | Relocating a Business

WELCOME

Look here first for business tools, information, licenses, and forms from the State of Idaho whether your business is just beginning, new to Idaho or expanding.

- » Starting a Business
 - Starting a Business in Idaho Booklet (PDF)
- » Relocating a Business
- » Tax Credits

Running a Business

- » Support for Hiring Employees
- » Business Incentives
- » Finances & Funding
- » International Trade
- » Licensing, Permitting & Regs
- » Selling to the Government
- » Taxes & Reporting

ONLINE SERVICES

- » Register a New Business
- » Apply for Permits and Accounts
- » Search for Industrial & Commercial Properties
- » Business Entity Search
- » UCC/Lien Search
- » Sales & Use Tax Filing
- » Unemployment Insurance
- » Income Tax Withholding
- » Tax Payments
- » Post & Manage Job Listings
- » More online business services...

WWW.IDAHOBIZHELP.ORG

The screenshot shows the homepage of the Idaho Small Business Solutions website. The header features the logo "IDAHO small business SOLUTIONS" and the word "home" in large blue letters. A left sidebar contains a vertical menu of navigation buttons: Home, Business Wizard, Resource Wizard, Business Assistance, Legal Structure/DBAs, Taxes, Licenses, Insurance, Employer Issues, Forms, and Agencies. Below the menu is an "ACCESS ai IDAHO" logo. The main content area has a yellow-bordered box with the text "Your 'Start Button' for Small Business Creation in Idaho". Below this, a welcome message states: "Welcome to Idaho Small Business Solutions™ Web site. This site will help you start or grow your business in three important ways:". This is followed by two bullet points. The first bullet point describes the "Business Wizard" as a tool for obtaining a customized Checklist of local, state, and federal taxes and regulations, and for finding information on licenses and permits. The second bullet point describes the "Resource Wizard" as a tool for obtaining a customized Checklist of funding and other business development resources. To the right of each bullet point is a corresponding logo: the "small business Wizard" logo with a wizard hat and the "resource Wizard" logo with a hand holding a stack of money and a checkmark.

IDAHO small business SOLUTIONS home

Home
Business Wizard
Resource Wizard
Business Assistance
Legal Structure/DBAs
Taxes
Licenses
Insurance
Employer Issues
Forms
Agencies

ACCESS **ai** IDAHO

Your "Start Button" for Small Business Creation in Idaho

Welcome to Idaho Small Business Solutions™ Web site. This site will help you start or grow your business in three important ways:

- New to business or to Idaho? Visit the **Business Wizard** to obtain a customized Checklist of local, state, and federal **taxes** and **regulations** that may affect your business. You will also find information on **licenses and permits** you might need, as well as information on registering your business name and entity type in Idaho and employee issues.
- The **Resource Wizard** will give you a customized Checklist of **funding** and other **business development resources** in your area.

small business Wizard
resource Wizard

BUYING AN EXISTING BUSINESS?

- Before you buy an existing business, write to the Tax Commission to see if the business has an outstanding sales or use tax debt.
 - Read Sales Tax Rule 119 for more information.
- If you don't take this step, you can be held responsible for the tax owed by the previous owner.

PERMIT APPLICATION PROCESS

- You need a federal Employee Identification Number (EIN):
 - If your business is a sole proprietorship and you will have employees
 - If your business is a partnership or corporation (with or without employees)
- Apply at www.irs.gov or call (800) 829-4933

PERMIT APPLICATION PROCESS

- Apply for Idaho permits on a form IBR-1, or online at business.idaho.gov
 - Idaho Seller's Permit and/or Idaho Use Tax Permit
 - Lodging permits
 - Travel & Convention
 - Greater Boise Auditorium
 - Income tax withholding account
 - Unemployment account

PERMIT APPLICATION PROCESS

- Once your application is processed, you'll receive a paper copy of your permit and notification of your filing cycle.
- Seller's permits should be posted in a public location (e.g. near the cash register).

HOW OFTEN WILL YOU FILE?

- Filing cycles are determined by your application and later, by your filing history.
 - Annual filing cycle – reports less than \$720 in tax per year
 - Quarterly filing cycle – reports more than \$720/year but less than \$600 per quarter
 - Monthly filing cycle – reports more than \$600 a quarter

FILING CYCLES

- If you're assigned a monthly filing cycle, you'll be mailed three returns each quarter.
- If you're assigned a quarterly or annual filing cycle, each return will be mailed about a month before it's due.
- Filing cycles are reviewed annually and may be changed. If your filing cycle changes, you'll receive a letter.

INCOME TAX WITHHOLDING



IDAHO INCOME TAX WITHHOLDING

- All wages, tips, and other compensation earned by employees working in Idaho are subject to Idaho income tax withholding.
- A business is required to have a withholding permit if it has any employees working within the borders of Idaho, regardless of whether the business ultimately withholds income tax.

OUT-OF-STATE RESIDENTS WORKING IN IDAHO

- Nonresident employees working in Idaho:
 - All wages must be reported.
 - Idaho income tax must be withheld if an employee earns \$1,000 or more in Idaho wages during the calendar year.
 - Nonresidents are required to file an Idaho nonresident income tax return (Form 43) if they have \$2,500 or more of Idaho income during the year.

NONRESIDENTS WORKING IN IDAHO

Example 1:

- ABC Contracting of Spokane, Washington employs Bob Brown. Bob is a resident of Washington. He spends half of his time working in Washington and the other half working in Idaho. He earns \$40,000 during the year.
- **\$20,000 of Bob's wages are subject to Idaho withholding.**

NONRESIDENTS WORKING IN IDAHO

Example 2:

- XYZ Contracting of Orem, Utah employs Jake Doe as a project engineer. Jake is a resident of Utah. Jake does all his work from his Utah office, but visits the project site in Idaho once during the year. During that one visit, Jake earned \$800 in wages.
- **None of Jake's wages are subject to Idaho income tax withholding** (but they need to be reported on Form 967, the annual withholding filing).

WHO IS AN EMPLOYEE?

- Officers of a corporation
- Persons you hire to perform services, when you have the right to control what will be done and how it will be done.
 - Includes family members.

EMPLOYEE vs. INDEPENDENT CONTRACTOR

Employee	Independent Contractor
Works set hours	Sets own hours
An ongoing relationship	Relationship lasts a limited time
Paid by hour, week, or month	Paid by the job performed
Reimbursed for business expenses	Responsible for incidental expenses
Employer provides facilities and tools	Has own facilities and tools
Works for one firm	May work for several firms at once
Must render services personally	Can subcontract services to another
Regular reports are required	Not required to account for actions
Doesn't solicit for work	Solicits for work through advertising
No risk of loss or opportunity for profit	Has risk of loss and opportunity for profit
Can be discharged	Can't be terminated except for breach of contract
Can quit	Must complete contract or be responsible for not doing so

NEW EMPLOYEE HIRES

- Federal Form W-4
 - All new hires must complete
 - Used by employers to determine amount of income tax to withhold from employees' paychecks
 - Employees can claim fewer allowances for Idaho than for federal withholding purposes, but NOT more

NEW EMPLOYEE HIRES

Department of Homeland Security
U.S. Citizenship and Immigration Services

OMB No. 1615-0047, Expires 08/31/12
Form I-9, Employment Eligibility Verification

Read instructions carefully before completing this form. The instructions must be available during completion of this form.

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) they will accept from an employee. The refusal to hire an individual because the documents have a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Verification (To be completed and signed by employee at the time employment begins.)

First Name Last First Middle Initial Maiden Name
Address (Street Name and Number) Apt. # Date of Birth (month/day/year)
City State Zip/City Social Security #

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

☐ I am not, under penalty of perjury, that I am (check one of the following):
☐ A citizen of the United States;
☐ A lawful permanent resident of the United States (see instructions);
☐ A lawful permanent resident (Alien #);
☐ An alien authorized to work (Alien # or Alien # and expiration date, if applicable - month/day/year).

Employee's Signature Date (month/day/year)

Preparer and/or Translator Certification (To be completed and signed if Section 1 is prepared by a person other than the employee.) I attest under penalty of perjury that I have assisted in the completion of this form and that to the best of my knowledge the information is true and correct.

Preparer's/Translator's Signature Print Name
Address (Street Name and Number, City, State, Zip/City) Date (month/day/year)

Section 2. Employer Review and Verification (To be completed and signed by employer. Examine only document from List A (FOR CITIZENS) and documents from List B and List C, as listed on the reverse of this form, and record the title, number, and expiration date, if any, of the document(s).)

List A OR List B AND List C

Document title
Issuing authority
Document #
Expiration date (if any)
Document #
Expiration date (if any)

CERTIFICATION: I attest, under penalty of perjury, that I have examined the document(s) presented by the above-named employee, that the above-listed document(s) appear to be genuine and to relate to the employee named, that the employee began employment on (month/day/year) and that to the best of my knowledge the employee is authorized to work in the United States. (State employment agency may omit the date the employee began employment.)

Signature of Employer or Authorized Representative Print Name Title
Business or Organization Name and Address (Street Name and Number, City, State, Zip/City) Date (month/day/year)

Section 3. Updating and Reverification (To be completed and signed by employer.)

A. New Name (if applicable) B. Date of Rehire (month/day/year) (if applicable)

C. If employee's previous period of work authorization has expired, provide the information below for the document that establishes current employment authorization.

Document title Document # Expiration date (if any)

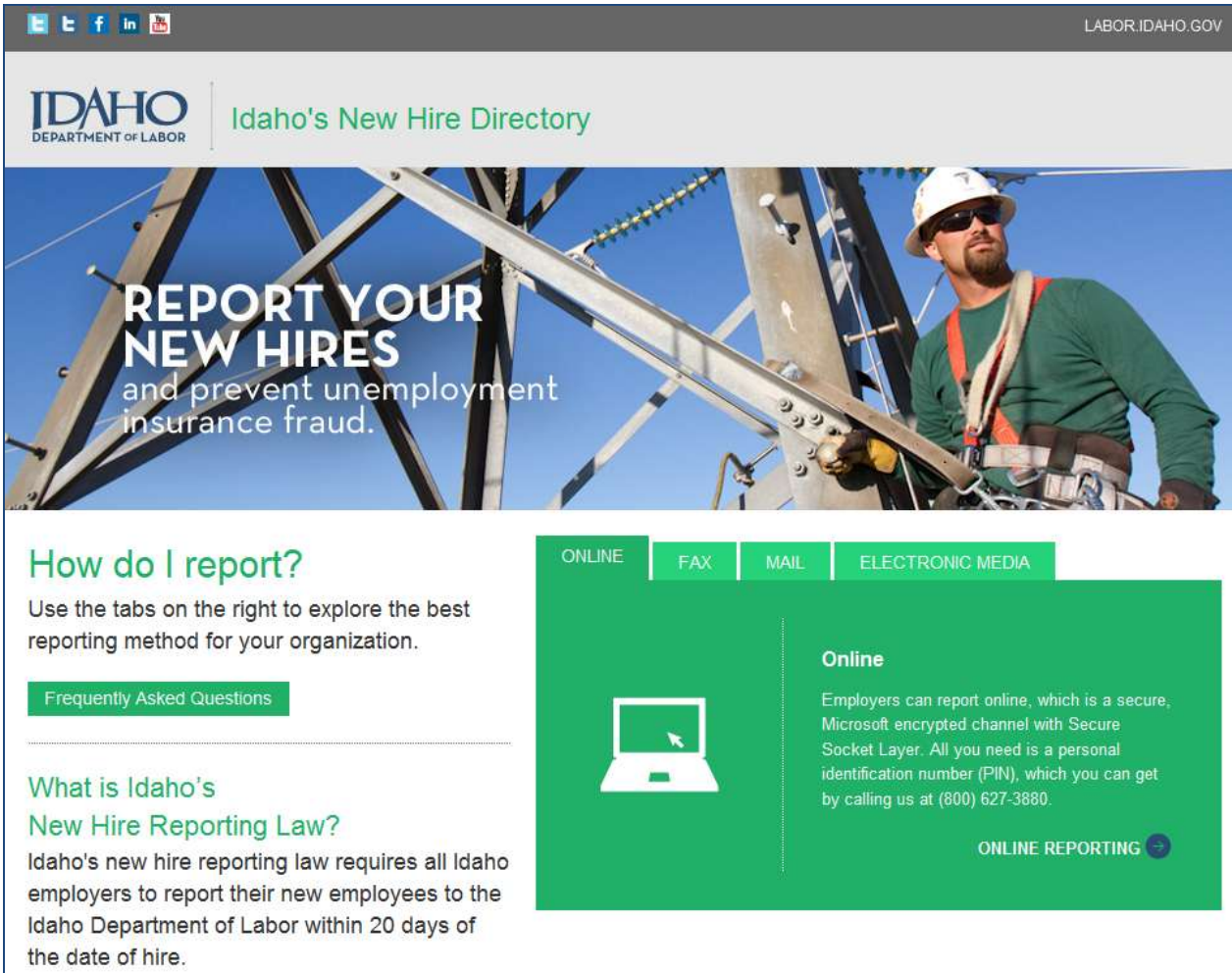
Exited, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented documents, the document(s) I have examined appear to be genuine and to relate to the individual.

Signature of Employer or Authorized Representative Date (month/day/year)

Form I-9 (Rev. 10/07/09) Page 4

- Employers must have a Form I-9, Employment Eligibility Verification for each employee
 - Employment verification can be done online using [E-Verify](#)

NEW EMPLOYEE HIRES



The screenshot shows the Idaho Department of Labor's New Hire Reporting website. At the top, there are social media icons and the URL LABOR.IDAHO.GOV. Below this is the Idaho Department of Labor logo and the title "Idaho's New Hire Directory". The main banner features a construction worker on a power line with the text "REPORT YOUR NEW HIRES and prevent unemployment insurance fraud." Below the banner, there are tabs for "ONLINE", "FAX", "MAIL", and "ELECTRONIC MEDIA". The "ONLINE" tab is selected, showing a laptop icon and text about online reporting. To the left of the tabs, there is a section titled "How do I report?" with a link to "Frequently Asked Questions" and another section titled "What is Idaho's New Hire Reporting Law?" with a paragraph explaining the law.

LABOR.IDAHO.GOV

IDAHO
DEPARTMENT OF LABOR

Idaho's New Hire Directory

REPORT YOUR NEW HIRES
and prevent unemployment insurance fraud.

How do I report?
Use the tabs on the right to explore the best reporting method for your organization.

[Frequently Asked Questions](#)

What is Idaho's New Hire Reporting Law?
Idaho's new hire reporting law requires all Idaho employers to report their new employees to the Idaho Department of Labor within 20 days of the date of hire.

ONLINE FAX MAIL ELECTRONIC MEDIA

Online
Employers can report online, which is a secure, Microsoft encrypted channel with Secure Socket Layer. All you need is a personal identification number (PIN), which you can get by calling us at (800) 627-3880.

[ONLINE REPORTING](#)

Report all new hires to the [Idaho Department of Labor](https://labor.idaho.gov) within 20 days of hiring.

WITHHOLDING CALCULATIONS

- The amount of income tax withheld from employees is determined by their Form W-4
- Withholding tables are available in [*A Guide to Idaho Income Tax Withholding*](#)

WITHHOLDING EXAMPLE

- Mary is single and has an 8-year old child who lives with her full time. Mary's W-4 says her marital status is single. She claims three withholding allowances per the W-4 worksheet.
- Mary gets paid \$950 (before taxes) every two weeks.

Single Persons - Including Head of Household

BI-WEEKLY
PAYROLL
PERIOD

If the wages are-		And the number of withholding allowances is-										
less than \$120 enter 0		0	1	2	3	4	5	6	7	8	9	10
At least	But less than	The amount of income tax to be withheld is-										
\$ 120	\$ 240	2	0	0	0	0	0	0	0	0	0	0
240	260	5	0	0	0	0	0	0	0	0	0	0
260	280	6	1	0	0	0	0	0	0	0	0	0
280	300	7	1	0	0	0	0	0	0	0	0	0
300	320	8	2	0	0	0	0	0	0	0	0	0
320	340	10	2	0	0	0	0	0	0	0	0	0
340	360	11	3	0	0	0	0	0	0	0	0	0
360	380	12	4	0	0	0	0	0	0	0	0	0
380	400	14	5	0	0	0	0	0	0	0	0	0
400	420	15	6	0	0	0	0	0	0	0	0	0
420	440	16	7	1	0	0	0	0	0	0	0	0
440	460	18	8	1	0	0	0	0	0	0	0	0
460	480	19	9	2	0	0	0	0	0	0	0	0
480	500	21	10	3	0	0	0	0	0	0	0	0
500	520	22	11	4	0	0	0	0	0	0	0	0
520	540	24	13	4	0	0	0	0	0	0	0	0
540	560	25	14	5	0	0	0	0	0	0	0	0
560	580	27	16	6	1	0	0	0	0	0	0	0
580	600	28	17	7	1	0	0	0	0	0	0	0
600	620	30	19	8	2	0	0	0	0	0	0	0
620	640	31	20	10	2	0	0	0	0	0	0	0
640	660	32	21	11	3	0	0	0	0	0	0	0
660	680	34	23	12	4	0	0	0	0	0	0	0
680	700	35	24	14	5	0	0	0	0	0	0	0
700	720	37	26	15	6	0	0	0	0	0	0	0
720	740	38	27	16	7	1	0	0	0	0	0	0
740	760	40	29	18	8	1	0	0	0	0	0	0
760	780	41	30	19	9	2	0	0	0	0	0	0
780	800	43	32	21	10	3	0	0	0	0	0	0
800	820	44	33	22	11	4	0	0	0	0	0	0
820	840	46	35	24	13	4	0	0	0	0	0	0
840	860	47	36	25	14	5	0	0	0	0	0	0
860	880	49	38	27	16	6	0	0	0	0	0	0
880	900	50	39	28	17	7	0	0	0	0	0	0
900	920	52	41	30	19	8	0	0	0	0	0	0
920	940	53	42	31	20	10	0	0	0	0	0	0
940	960	55	44	32	21	11	0	0	0	0	0	0
960	980	56	45	34	23	12	0	0	0	0	0	0
980	1,000	58	47	35	24	14	0	0	0	0	0	0
1,000	1,020	59	48	37	26	15	0	0	0	0	0	0
1,020	1,040	61	50	38	27	16	0	0	0	0	0	0
1,040	1,060	62	51	40	29	18	0	0	0	0	0	0
1,060	1,080	64	52	41	30	19	0	0	0	0	0	0
1,080	1,100	65	54	43	32	21	0	0	0	0	0	0
1,100	1,120	67	55	44	33	22	0	0	0	0	0	0
1,120	1,140	68	57	46	35	24	0	0	0	0	0	0
1,140	1,160	69	58	47	36	25	0	0	0	0	0	0
1,160	1,180	71	60	49	38	27	0	0	0	0	0	0
1,180	1,200	72	61	50	39	28	17	7	1	0	0	0
1,200	1,220	74	63	52	41	30	19	8	2	0	0	0

Based on the bi-weekly payroll table for single persons, you'll withhold \$21 of Idaho income tax for Mary.

Based on the bi-weekly payroll table for single persons, you'll withhold \$21 of Idaho income tax for Mary.

WITHHOLDING MONIES

- Income taxes withheld from employees are trust funds. The money belongs to the employee, not the employer.
- Report withholding in the period that the paycheck falls.
 - Example: You're on a monthly filing cycle. For the pay period of March 16 thru March 29, employees are paid on April 4. The tax withheld should be reported on the April return.

REPORTING FORMS

- Form 910, Payment Voucher
 - Due the 20th day of the following month for *monthly* filers
 - Due the last day of the following month for *quarterly* filers
 - If you don't have any withholding, file Form 910 showing \$0
 - File on time to avoid late penalties

FORM 910, PAYMENT VOUCHER

Permit number

Reporting period

Due date

FORM 910 IDAHO WITHHOLDING PAYMENT VOUCHER

ACCOUNT NO. 002566412 FROM 01/01/2013 TO 01/31/2013

TAX DUE ON OR BEFORE 02/20/2013

REVENUE OPERATIONS QUALITY CONTROL
PO BOX 36
BOISE ID 83722-0036

SAMPLE

I do hereby swear or affirm that this information is true and correct to the best of my knowledge

Authorized Signature _____ Date _____

Mail to: State Tax Commission, PO Box 76, Boise, Idaho 83707-0076

In the box below, enter the amount of Idaho income tax withheld from your employees' paychecks for the period shown on this voucher. You must file this form even if no tax is withheld for this period.

Payment Amount 00

1002566412 1002566412 REVE 09 0113 M 94 5

The barcode is unique to each return. If you lose a form, please contact Taxpayer Services for a replacement.

FORM W-2

22222		a Employee's social security number		OMB No. 1545-0008	
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employee's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
d Control number		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		Suff.	
		11 Nonqualified plans		12a	
		13 <input type="checkbox"/> Dependent care <input type="checkbox"/> Retirement plan <input type="checkbox"/> Nonqualified plan		12b	
		14 Other		12c	
				12d	
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
					20 Locality name

This is the SSN provided by employee

This is your EIN issued by the IRS

The two-letter state abbreviation

To add another state, fill in boxes under dotted line.

The 9-digit account number issued by the Idaho State Tax Commission

The amount of wages from Box 1 that were earned in Idaho

The amount of Idaho withholding related to wages in Box 16

Form **W-2** Wage and Tax Statement
Copy 1—For State, City, or Local Tax Department

2012

Department of the Treasury—Internal Revenue Service

FORM 967, ANNUAL REPORT

- Serves two purposes:
 1. Reconciles Idaho income tax withholding on W-2 forms with 910 forms
 2. Serves as a cover sheet for state copies of W-2s
- Due the last day of February

967 IDAHO ANNUAL WITHHOLDING REPORT

0
RE 967A
11-16-10

ACCOUNT NO. **002566412** TAX YEAR **2011** DUE ON OR BEFORE **02/29/2012**

☐ Mailing address change ☐ Cancel account

Return mailing address: Idaho State Tax Commission
PO Box 76
Boise, Idaho 83707-0076

REVENUE OPERATIONS QUALITY CONTROL
PO BOX 36
BOISE ID 83722-0036

Wages and Withholding

1. Total Idaho taxable wages reported on W-2s *

2. Total Idaho tax withheld on W-2s and 1099s *

SAMPLE

State use only

3. Total tax paid for calendar year 2011 *

4. Remaining tax due or (overpaid). Subtract line 3 from line 2 *

5. Penalty on balance owed. If line 4 is zero or a credit, enter 0 *

6. Interest on balance owed. If line 4 is zero or a credit, enter 0 *

7. Total due. Add lines 4, 5, and 6 *

Statements Submitted

8. Number of W-2s for the year (send W-2s with this form) *

9. Number of 1099s *with Idaho withholding* for the year (send 1099s with this form) *

Check box if 1099s were submitted through combined federal/state filing ☐

10. Total number of statements. Add lines 8 and 9 *

11. Statement penalty. Add after due date.
Multiply line 10 by \$2 per month for each full or part month overdue.
If submitted by due date, enter 0 *

12. Add lines 7 and 11

12a. Total due *

12b. Total refund *

I certify under penalties of perjury that this return is true, correct and complete to the best of my knowledge.

Authorized Signature _____ Date _____

290500056 002566412 REVE 09 1211 M 67 3

8 5 0 0 9 1

← Account information and due date

← Reconciliation of income tax withholding between W-2s and 910s

DO NOT CUT
FORM APART

← W-2 cover sheet (and 1099s if they have withholding).

For more information, see [A Guide to Idaho Income Tax Withholding](#)

E-FILING

- Form 910 and Form 967 can be filed electronically, free of charge.
 - However, there's a convenience fee for debit/credit or e-check payments.
- Employers with 50 or more employees working in Idaho must submit W-2s electronically.
 - Those with less than 50 can send paper copies or manually enter them on the Tax Commission's website.

RECORDKEEPING

- Keep records at least 4 years:
 - Payroll stubs
 - Work dates, amounts of wages and tips earned, hours worked, location worked, etc.
 - Employee names, addresses, Social Security numbers, and job descriptions
 - Copies of returns, payroll forms, deposit records, etc.

SALES TAX



SALES TAX

- Sales tax is an excise tax imposed on each retail sale, unless a valid exemption exists
 - Idaho state sales tax = 6%
- Retailers doing business in Idaho must get an Idaho Seller's Permit and collect sales tax from their customers
- Not obtaining a permit can result in a penalty of \$100 per day

SALES TAX

- Sales tax must be separately stated on a customer's receipt
 - Businesses that deal with frequent, small cash transactions often include tax in their retail prices to lessen the need to make change. However, when you sell goods, the posted price can't include sales tax. Idaho law states that sales tax must be separately stated from the sales price of goods.

LOCAL OPTION TAXES

- Nez Perce County has a local option sales tax of 0.5%.
- A Nez Perce Seller's Permit is required if you are physically making sales or deliveries in Nez Perce county.
- To apply for a Nez Perce permit, call the Tax Commission toll free at (800) 972-7660 or send an e-mail to processing@tax.idaho.gov



SALE DEFINED

- A sale occurs when tangible personal property is exchanged for money or something else of value
 - Occurs when control or responsibility of the goods is exchanged
 - Includes barter transactions

“SALES” INCLUDE...

- Food, beverages, etc. sold by restaurants, cafeterias, concessionaires, bars, caterers, etc.
 - Tips and gratuities paid to a server, that are separately stated from the sales price, are not taxable.

“SALES” INCLUDE...

- Custom-made goods
 - Fabrication labor is taxable
 - The full sale price of custom-made goods is taxable
- Example:
 - Photographers are in the business of creating a finished product – a photo. The entire amount charged to produce photo(s), films, etc., including sitting fees, is subject to tax.

“SALES” INCLUDE...

- 2nd Example: Custom-made goods
 - If you hire someone to custom make a piece of furniture and you're charged \$200 for materials and \$300 for labor, the entire \$500 is subject to tax.
 - The custom fabricated furniture is taxed in the same manner as a piece of furniture that's bought in a store.

“SALES” INCLUDE...

- Parts/materials used to repair tangible personal property
 - Repair materials are taxable
 - Repair labor is not taxable if separately stated from parts.
 - If parts and labor are invoiced as one lump sum, the entire charge is taxable.

“SALES” INCLUDE...

- Rentals and leases of bare equipment
 - A “bare” rental is one that doesn’t provide an operator to run the equipment
- Sales tax is collected on each rental or lease payment
 - In the case of a financing lease, all tax must be collected up front

“SALES” INCLUDE...

- Fees charged for hotel, motel, and campground accommodations
 - In addition to the 6% sales tax, the rental of sleeping accommodations is also subject to a 2% travel and convention tax. And rentals of hotel and motel rooms in the Boise area are also subject to a 5% Greater Boise Auditorium District (GBAD) tax.
- Includes rentals of homes by a business or individual (if less than 31 days by the same tenant)

“SALES” INCLUDE...

- Admission fees to a place or event in Idaho
 - Concerts
 - Sporting events
 - Cover charges
 - Amusement parks
 - Movie theatres, etc.

“SALES” INCLUDE...

- Fees paid to use recreational equipment, or recreational facilities
 - Health clubs
 - Tanning beds
 - Renting a place for a dance or other recreational activity, etc.

RETAILER DEFINED

- Anyone who makes more than two retail sales in a 12-month period, or
- Anyone who holds themselves out to be in the business of making retail sales
- A business doesn't have to have an office or storefront in Idaho to be considered an Idaho retailer.

YOU'RE DOING BUSINESS IN IDAHO IF YOU'RE

- A retailer with a place of business in Idaho, where sales, distribution, administration, or other business activities take place.
- A retailer with employees or agents operating in Idaho, for the purpose of selling, delivering, installing, or taking orders for any tangible personal property.

YOU'RE DOING BUSINESS IN IDAHO IF YOU'RE

- A retailer who derives income from a lease or rental of tangible personal property located in Idaho
- A retailer servicing or installing tangible personal property in Idaho.
- A retailer with a franchisee operating under your trade name, if the franchisee is an Idaho retailer.

MULTI-LEVEL MARKETING FIRMS

- Businesses where many agents sell goods on behalf of a company. The company collects and pays sales tax on behalf of all sellers.
 - Scentsy, Avon, Mary Kay...
- If the company remits tax, individual agents don't need a permit

SALES PRICE DEFINED

- “Sales price” (the amount subject to tax) is the total amount paid for tangible personal property, including services agreed to be rendered as a part of the sale.
- Idaho Code section 63-3613 lists several items that are not subject to sales tax if they are separately stated on an invoice.

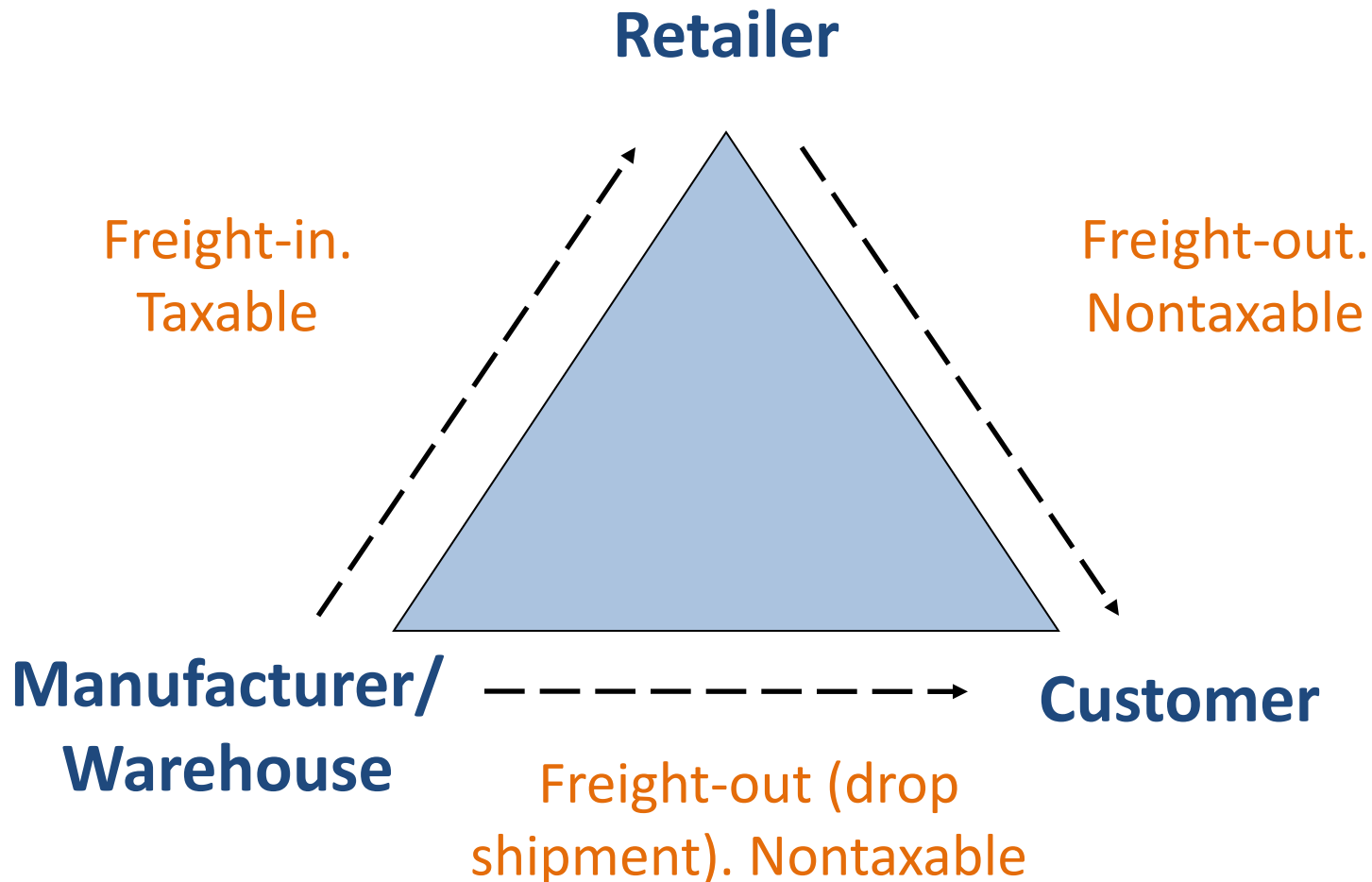
SALES PRICE DEFINED

- The following are not taxable:
 - Price discounts given by a retailer
 - Does not apply to prompt-pay discounts
 - Amounts allowed for trade-in merchandise
 - Manufacturers' rebates on motor vehicles
 - Installation or repair labor
 - Optional warranties
 - Delivery/outbound freight charges
 - Late fees/interest charges

FREIGHT-IN VS. FREIGHT-OUT

- Freight-in is the cost to ship or deliver goods to a retailer. Freight-in is considered to be part of the cost to get an item ready for sale. It's part of the taxable sales price when it's passed on to a customer. Usually, freight-in is part of the marked up cost of goods.
 - For example, when you buy a can of corn, a small portion of the sales price is to cover the cost of the freight to get that can to the retailer. If the retailer charges \$0.98 for the can, that amount is subject to tax.

FREIGHT-IN VS. FREIGHT-OUT



INVOICING

- Sales tax must be invoiced as a separate line item.
- “Includes tax” is not acceptable.
- Retailers can’t advertise that they’ll pay the tax for a customer, and they can’t advertise “no sales tax.”

SAMPLE INVOICE #1

XYZ Auto Repairs
Anytown, ID

INVOICE 1234

Description	Price
Auto parts	\$ 100.00 T
Repair labor	\$ 100.00
Overnight freight	\$ 20.00 T

Subtotal: \$ 220.00
6% Sales Tax: \$ 7.20
Total: \$ 227.20

Parts and freight-in are taxable
Repair labor is exempt from tax

SAMPLE INVOICE #2

XYZ Office Supplies

INVOICE 4567

Anytown, ID

Description	Price
Office furniture	\$ 500.00 T
Assembly labor	\$ 100.00 T
Subtotal:	\$ 600.00
Delivery	\$ 50.00
6% Sales Tax:	\$ 36.00
Total:	\$ 686.00



Furniture and assembly are taxable

SALES TAX IS STATE MONEY

- When a sale occurs, the sales tax becomes the property of the state
- The tax must be turned over to the state (even if it's collected in error)

USE TAX

- Use tax is a tax on goods that were purchased without paying sales tax.
 - Every state that has a sales tax also has a use tax.
- If you bring tangible personal property into Idaho and haven't paid a sales tax equal to, or more than, Idaho's tax rate, you may owe use tax.

USE TAX

- Use tax is complementary to sales tax. Its purpose is to tax goods that are used, stored or consumed in Idaho that weren't taxed at purchase.
- Examples of purchases that might be subject to use tax are:
 - Goods purchased in Oregon or Montana that are brought into Idaho.
 - Nontaxed groceries purchased in Washington that are brought into Idaho.
 - Goods purchased from an out-of-state company over the Internet (e.g., Amazon.com or E-bay).

RECORDKEEPING FOR USE TAX

- Not all software programs offer accounting for use tax
 - An Excel spreadsheet is a good alternative
- It's a good idea to annotate the amount of use tax paid on each invoice

RECORDKEEPING FOR USE TAX

- When calculating use tax, the following aren't subject to tax if they're separately stated:
 - Installation and repair labor
 - Optional warranties
 - Freight-out (freight from your vendor to you, including drop shipments)

HOW MUCH USE TAX IS DUE?

Stationary	\$	75.00
Business cards	\$	50.00
Pens	\$	50.00
Rush fee	\$	<u>25.00</u>

Subtotal:	\$	200.00
Shipping	\$	15.00

Discount of \$2.00 can be taken
if paid by 10/1/12

Total:	<u>\$</u>	<u>215.00</u>
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The \$200 paid for office supplies is subject to use tax, even if the prompt-payment discount is taken. $\$200 \times .06 = \12 of use tax.

HOW MUCH USE TAX IS DUE?

XYZ Auto Repair Equipment
Anytown, WA

INVOICE 1234

Description	Price
Engine Diagnostic Tester	\$ 1,000.00
Optional 2 yr. extended warranty	\$ 99.00
Subtotal:	\$ 1,099.00
Shipping:	\$ 100.00
Total:	<u>\$ 1,199.00</u>

The \$1,000 paid for equipment is subject to use tax. $\$1,000 \times .06 = \60 of use tax.

FORM ST-101 EXEMPTIONS

- Form ST-101, Sales Tax Resale or Exemption Certificate, is the most commonly –used exemption form
- Read the instructions
- For more information, see Sales Tax Brochure #5, *Retailers and Wholesalers: Making Exempt Sales*

ST-101
10-20-09

Idaho State Tax Commission
SALES TAX RESALE OR EXEMPTION CERTIFICATE

Buyer's Name			Seller's Name		
Address			Address		
City	State	Zip Code	City	State	Zip Code

1. Buying for Resale. I will sell, rent, or lease the goods I am buying in the regular course of my business.

a. Primary nature of business _____ Describe the products you sell, lease, or rent _____

b. Check the block that applies: ☐ Idaho registered retailer. Seller's permit number _____ (required - see instructions)
☐ Wholesale only, no retail sales
☐ Out-of-state retailer, no Idaho business presence

2. Producer Exemptions (see instructions). I will put the goods purchased to an exempt use in the business indicated below.

Check the block that applies and complete the required information:

☐ Logging Exemption
☐ Broadcasting Exemption
☐ Publishing Free Newspapers
☐ Production Exemption (check one): ☐ Farming ☐ Ranching ☐ Manufacturing ☐ Processing ☐ Fabricating ☐ Mining

List the products you produce: _____

3. Exempt Buyer. All purchases are exempt, and no permit number is required. Check the block that applies:

<input type="checkbox"/> Advocate for Survival of Domestic Violence and Sexual Assault, Inc.	<input type="checkbox"/> Center for Independent Living	<input type="checkbox"/> Nonprofit Children's Free Dental Service Clinic	<input type="checkbox"/> Senior Citizens Center
<input type="checkbox"/> American Indian Tribe	<input type="checkbox"/> Emergency Medical Service Agency	<input type="checkbox"/> Nonprofit Hospital	<input type="checkbox"/> State/Federal Credit Union
<input type="checkbox"/> American Red Cross	<input type="checkbox"/> Federal/State Government Entity	<input type="checkbox"/> Nonprofit Museum	<input type="checkbox"/> Volunteer Fire Department
<input type="checkbox"/> Animal	<input type="checkbox"/> Forest Protective Association	<input type="checkbox"/> Nonprofit School	
<input type="checkbox"/> Blind Services Foundation, Inc.	<input type="checkbox"/> Idaho Foodbank Warehouse, Inc.	<input type="checkbox"/> Qualifying Health Organization (see instructions for list)	
	<input type="checkbox"/> Nonprofit Casual Company		

4. Contractor Exemptions (see instructions).

a. Invoice, purchase order, or job number to which this claim applies _____

b. City and state where job is located _____

c. Project owner name _____

d. This exempt project is: (check appropriate box)

☐ In a nonbuilding state. (To qualify, materials must become part of the real property.)
☐ An agricultural irrigation project.
☐ For production equipment owned by a producer who qualifies for the production exemption.

5. Other Exempt Goods and Buyers (see instructions).

<input type="checkbox"/> Aircraft used to transport passengers or freight for hire	<input type="checkbox"/> Livestock sold at a public livestock market
<input type="checkbox"/> Aircraft purchased by nonresident for out-of-state use	<input type="checkbox"/> Medical items that qualify
<input type="checkbox"/> American Indian buyer holding Tribal I.D. No.	<input type="checkbox"/> Pollution control items
This form doesn't apply to vehicles or boats. See instructions.	
<input type="checkbox"/> Church buying goods for food bank or to sell meals to members	<input type="checkbox"/> Research and development goods
<input type="checkbox"/> Food bank or soup kitchen buying food or food service goods	<input type="checkbox"/> Snowmaking/snowing equipment, or aerial tramway component
<input type="checkbox"/> Order for for-profit registered vehicles	<input type="checkbox"/> Other goods or entity exempt by law under the following statute (required: _____)
<input type="checkbox"/> Housing fuel	

Buyer: Read and sign. I certify that all statements I have made on this form are true and correct to the best of my knowledge. I understand that falsification of this certificate for the purpose of evading payment of tax is a misdemeanor. Other penalties may also apply.

Buyer's Name (please print)	Seller's Signature	Title
Buyer's Federal Tax ID (if any) and State of Issue	Date	

Seller: Each exemption a customer may claim on this form has special rules (see instructions). It's your responsibility to learn the rules. You must charge tax to any customers and on any goods that don't qualify for a claimed exemption and are taxable by law.

FORM ST-101

- If a valid exemption is claimed, and the information on the form is current, the seller is not responsible for collecting sales tax.
- An ST-101 is *not* a blanket exemption for all goods.
 - Only applies to those purchases covered by the exemption being claimed.

COMPLETENESS MATTERS

- Header and footer must be complete

ST-101 EFO00149 10-20-09			Idaho State Tax Commission		
SALES TAX RESALE OR EXEMPTION CERTIFICATE					
Seller's Name			Buyer's Name		
Address			Address		
City	State	Zip Code	City	State	Zip Code

Buyer: Read and sign. <i>I certify that all statements I have made on this form are true and correct to the best of my knowledge. I understand that falsification of this certificate for the purpose of evading payment of tax is a misdemeanor. Other penalties may also apply.</i>		
Buyer's Name (please print)	Buyer's Signature	Title
Buyer's Federal EIN or Driver's License No. and State of Issue		Date

BUYING FOR RESALE

- Retailers can buy resale inventory exempt from tax.
- Only those goods that will enter a retailer's resale inventory, to be held for sale in the normal course of business, can be purchased exempt.
 - Retailers can also purchase shopping bags exempt from tax

BUYING FOR RESALE

■ Examples:

- A restaurant can buy food, disposable dishes, disposable flatware, disposable napkins, straws, and to-go containers exempt from tax.
- An automobile repair shop can buy auto parts and oil exempt from tax.
- Hotels can buy toilet paper, facial tissues, soap, and shampoo exempt from tax.

BUYING FOR RESALE

- Parts “a” and “b” must be complete for a valid exemption to exist

1. Buying for Resale. I will sell, rent, or lease the goods I am buying in the regular course of my business.

a. Primary nature of business _____ Describe the products you sell, lease, or rent _____

b. Check the block that applies:

☐ Idaho registered retailer. Seller's permit number _____ (required - see instructions)

☐ Wholesale only, no retail sales

☐ Out-of-state retailer, no Idaho business presence

If this doesn't describe some type of retailer or wholesaler, the buyer shouldn't be "buying for resale"

If the buyer is an Idaho retailer, the buyer must provide a valid Seller's Permit number

Must describe the type of goods the buyer sells

PRODUCER EXEMPTIONS

- Businesses that primarily produce goods for resale can buy raw materials exempt from tax as well as some equipment and supplies.

2. **Producer Exemptions** (see instructions). I will put the goods purchased to an exempt use in the business indicated below.

Check the block that applies and complete the required information.

<input type="checkbox"/> Logging Exemption	
<input type="checkbox"/> Broadcasting Exemption	
<input type="checkbox"/> Publishing Free Newspapers	
<input type="checkbox"/> Production Exemption (check one):	<input type="checkbox"/> Farming <input type="checkbox"/> Ranching <input type="checkbox"/> Manufacturing <input type="checkbox"/> Processing <input type="checkbox"/> Fabricating <input type="checkbox"/> Mining

List the products you produce: _____

If the buyer marks the “production exemption” box, the buyer must mark the appropriate type of production and describe the items being produced.

PRODUCER EXEMPTIONS

- The law excludes some purchases from “the production exemption.”
- As a retailer, if you sell any of these items exempt from tax, you will be held responsible for the sales tax, even if your customer properly completed *Form ST-101*.

SOME EXCLUSIONS FROM THE PRODUCTION EXEMPTION

- A hand tool with a unit cost of \$100 or less
- Goods used in administrative functions such as selling, distributing, accounting, etc.
- Janitorial/cleaning supplies
- Licensed vehicles
- Storage equipment and supplies
- ATVs, snowmobiles, off-road motorcycles, campers
- Goods that will become real property (e.g. fence posts)

EXEMPT BUYERS

- Idaho Code specifically names the following as exempt buyers...

3. Exempt Buyer. All purchases are exempt, and no permit number is required. Check the block that applies.

<input type="checkbox"/> Advocates for Survivors of Domestic Violence and Sexual Assault, Inc.	<input type="checkbox"/> Center for Independent Living	<input type="checkbox"/> Nonprofit Children's Free Dental Service Clinic	<input type="checkbox"/> Senior Citizen Center
<input type="checkbox"/> American Indian Tribe	<input type="checkbox"/> Emergency Medical Service Agency	<input type="checkbox"/> Nonprofit Hospital	<input type="checkbox"/> State/Federal Credit Union
<input type="checkbox"/> American Red Cross	<input type="checkbox"/> Federal/Idaho Government Entity	<input type="checkbox"/> Nonprofit Museum	<input type="checkbox"/> Volunteer Fire Department
<input type="checkbox"/> Amtrak	<input type="checkbox"/> Forest Protective Association	<input type="checkbox"/> Nonprofit School	
<input type="checkbox"/> Blind Services Foundation, Inc.	<input type="checkbox"/> Idaho Foodbank Warehouse, Inc.	<input type="checkbox"/> Qualifying Health Organization (see instructions for list)	
	<input type="checkbox"/> Nonprofit Canal Company		

- Exempt buyers do not need a Seller's Permit. They simply have to fill out the header and footer and mark the appropriate box in section 3.

CONTRACTORS

- Contractors making improvements to real property are the consumers of the supplies, equipment, and materials they use.
- Contractors are required to pay tax on all goods, at the time of purchase, unless a valid exemption exists.
- Contractors should not collect sales tax from their customers.
- For more information, see our [Contractors: Who pays the tax?](#) video on our website.

CONTRACTOR EXEMPTIONS

- The few contractor exemptions that are available are claimed in part 4 of Form ST-101.

4. Contractor Exemptions (see instructions).

- a. Invoice, purchase order, or job number to which this claim applies _____
- b. City and state where job is located _____
- c. Project owner name _____
- d. This exempt project is: (check appropriate box)
- ☐ In a nontaxing state. (To qualify, materials must become part of the real property.)
 - ☐ An agricultural irrigation project.
 - ☐ For production equipment owned by a producer who qualifies for the production exemption.

- The exemption form is not a blanket form. It is only valid for the job specified.

CONTRACTOR EXEMPTIONS

- Contractors can purchase building materials exempt if:
 - The materials will be incorporated into real property in a nontaxing state (Oregon, Montana, Alaska, and some Washington jobs)
 - The exemption DOES NOT APPLY TO EQUIPMENT or supplies (tools, hard hats, temporary fencing, etc.)

CONTRACTOR EXEMPTIONS

- Contractors can buy materials that will be incorporated into agricultural irrigation systems exempt from tax.
 - Concrete
 - Well materials
 - Pumps
- This does NOT include materials used to irrigate golf courses.

CONTRACTOR EXEMPTIONS

- Contractors can buy production equipment on behalf of a job owner that qualifies for the production exemption.
 - Equipment must be installed into a qualifying production facility
 - The equipment must qualify for the production exemption
 - Equipment cannot become real property (e.g. HVAC systems)

OTHER EXEMPT GOODS AND BUYERS

- More information can be found in the ST-101 instructions

5. Other Exempt Goods and Buyers (see instructions).

- ☐ Aircraft used to transport passengers or freight for hire
- ☐ Aircraft purchased by nonresident for out-of-state use
- ☐ American Indian buyer holding Tribal I.D. No. _____.

This form doesn't apply to vehicles or boats. See instructions.

- ☐ Church buying goods for food bank or to sell meals to members
- ☐ Food bank or soup kitchen buying food or food service goods
- ☐ Glider kits for IRP-registered vehicles
- ☐ Heating fuel

- ☐ Livestock sold at a public livestock market
- ☐ Medical items that qualify
- ☐ Pollution control items
- ☐ Research and development goods
- ☐ Snowmaking/grooming equipment, or aerial tramway component
- ☐ Other goods or entity exempt by law under the following statute
(required: _____)

TRIBAL MEMBERS

- Tribal members can make purchases exempt from tax if goods are delivered within the boundaries of a reservation.
- Vehicle sales must be documented on Form ST-133.

SALES TO RESIDENTS OF NONTAXING STATES

- Idaho does not exempt sales to residents of Oregon, Alaska, Montana, or Alberta, Canada
- If possession is taken in Idaho, then Idaho sales tax is due

GOODS SHIPPED OR DELIVERED TO ANOTHER STATE

- Goods delivered to another state, via your company vehicle or by common carrier, are exempt from Idaho tax
 - Do not need an exemption form
 - Keep shipping records, insurance records and/or anything else that will provide proof of delivery/shipment

OTHER EXEMPTIONS

- Yard sales (Rule 097)
- Occasional sales (Rule 099)
- Sales of 4-H animals at the fair (Rule 089)
 - Feed and other supplies to raise the animal are taxable
- For more information, see the Idaho [Sales and Use Tax Administrative Rules](#)

REPORTING

- Sales tax is reported on an accrual basis.
 - Due in the reporting period that the sale takes place
 - No part of sales tax can be deferred until payment is actually received.
 - As a retailer, if you advertise something like, “no payment for 90 days,” or “no payment for a year,” you’ll still be required to remit the sales tax in the reporting period that the sale took place.

REPORTING

- Use Form 850, *Sales and Use Tax Return*, to report and pay sales tax.
- Returns are due the 20th day of the month following the end of the reporting period.
 - If the 20th falls on a weekend or federal holiday, the due date is the following business day.
- File on time to avoid late penalties and interest.
- Even if you have no sales, you must still file a return.

Complete lines 1 thru 11.

Permit number

Reporting period

Due date

Sign, date, and mail the form with your payment.

FORM 850 IDAHO SALES AND USE TAX RETURN

PERMIT NO. 002566412

FROM 09/01/2013 TO 09/30/2013

TAX DUE ON OR BEFORE 10/21/2013

REVENUE OPERATIONS QUALITY CONTROL
PO BOX 36
BOISE ID 83722-0036

☐ Mailing Address Change

☐ Cancel Permit

1. Total Sales.....

2. Less nontaxable sales.....

3. Net taxable sales (line 1 minus line 2).....

4. Items subject to use tax.....

5. Total taxable (add lines 3 and 4).....

6. Tax (6% of Line 5).....

7. Adjustments (attach explanation).....

8. Tax due (total of lines 6 and 7).....

9. Penalty (add after due date).....

10. Interest (add after due date).....

11. Total due.....

I do hereby swear or affirm that this information is true and correct to the best of my knowledge

Authorized Signature _____ Date _____

Mail to:
State Tax Commission
PO Box 76
Boise, Idaho 83707

1002566412 1002566412 REVE 08 0913 M 50 2

Barcode is unique to each taxpayer and reporting period. If you lose a return, call Taxpayer Services for a replacement (or file online).

IF YOU DON'T FILE...

- Collection actions may be taken against you, including:
 - Estimated tax assessments
 - Liens
 - Seizure of your wages, bank accounts, and other assets
- This applies to all tax types

RECORDKEEPING

- Keep records for at least 4 years
- Records to keep:
 - Sales and purchase journals
 - Check registers
 - Exemption certificates
 - Invoices (sales and purchases)
 - Contracts
 - Tax returns

SALES TAX BROCHURES

- Brochures tailored to specific types of businesses are available at tax.idaho.gov under FORMS/PUBS



PERMIT VERIFICATION

- You can verify the validity of a retailer's Idaho Seller's Permit through the Tax Commission's website.
 - Click on the [Online Services](#) link
 - Click on the [Verify Seller's Permit](#) link

PERMIT VERIFICATION

Screen shot from website

The Idaho Seller's Permit Number Validation application will display the business name associated with a permit number if you enter a valid permit number. This does not guarantee that the buyer qualifies for a claimed exemption.

If you need more information about exemptions, read our [sales tax brochures](#) or call toll free at (800) 972-7660 or 334-7660 in the Boise area.

Enter Idaho Seller's Permit Number:

This is an invalid Idaho seller's permit number.

SALES TAX SUMMARY

- Retailers doing business in Idaho are required to collect, report, and pay sales tax.
- Goods stored, used, or otherwise consumed in Idaho are subject to tax.
- Neither sales nor use tax is due if a valid exemption exists.
- Exempt sales must be properly documented.

E-FILING SALES & WITHHOLDING RETURNS



E-FILING

- You can file your sales tax and income tax withholding returns electronically for free.
- You can also make payments electronically. The following are subject to convenience fees:
 - Debit/credit cards
 - E-checks
 - ACH Credit (fees vary, depending on your bank)
- ACH Debit payments are free.

E-FILING

- If you e-file your returns for six consecutive months (or two quarters), the Tax Commission will stop mailing you paper returns.
- To help you remember when to e-file:
 - Sign up for tax due date reminders through our [website](#), or
 - Set yourself a due date reminder in Outlook or a similar program

E-FILING

- To start e-filing your sales & income tax withholding returns, go to tax.idaho.gov/efile
- Under *Businesses*, choose either:
 - [Sales-related returns e-file](#) or
 - [Withholding e-file](#)

RIGHT TRACK CLASS

- We offer a free monthly Right Track class in our Boise and Coeur d'Alene offices. The class covers:
 - How to fill out your withholding and sales tax returns correctly the first time
 - When sales tax exemptions apply
 - Answers to specific questions you have about your business
- Visit our website to [register for the class](#) and learn more.

QUESTIONS ABOUT TAXES?

- Call us:
 - Toll free: (800) 972-7660
 - In the Boise area: 334-7660
- Visit us on the Web at:
 - tax.idaho.gov
- E-mail us at:
 - taxrep@tax.idaho.gov
- Fax Taxpayer Services:
 - (208) 334-7846